



The Roundup

Weekly Economic Research

March 18 - 22, 2024

Fueled by positive earnings reports, the Fed's commitment to future rate cuts, and Reddit's successful IPO, domestic markets surged this week

- The S&P 500 is up 2.58%, the Nasdaq is up 2.70%, and the Dow Industrials is up 2.64% WTD; both growth and blue-chip stocks rallied this week, buoyed by positive economic data and strong earnings
- The 10-Yr U.S. Treasury yield has decreased -0.025% to a current yield of 4.277%, whereas the 30-Yr U.S. Treasury yield increased +0.018% to a current yield of 4.449%; the inverted yield curve is showing signs of improvement as investors price in potential future rate cuts by the Fed
- Crude oil prices increased 0.20% to a current \$80.76/bbl while bitcoin increased 1.15% to a current \$65,997/coin; oil markets saw a period of relative stability this week, contrasting with Bitcoin's price normalization after a brief dip last week
- The iShares 20+ Year Treasury Bond Exchange Traded Fund (TLT) saw a surge in popularity among retail investors as the Federal Reserve cut interest rates, leading to significant returns [[WSJ](#)]

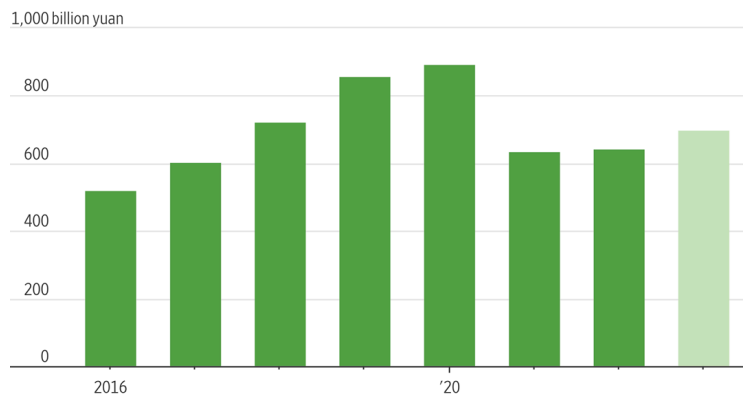
iShares 20+ Year Treasury Bond ETF



Source: FactSet

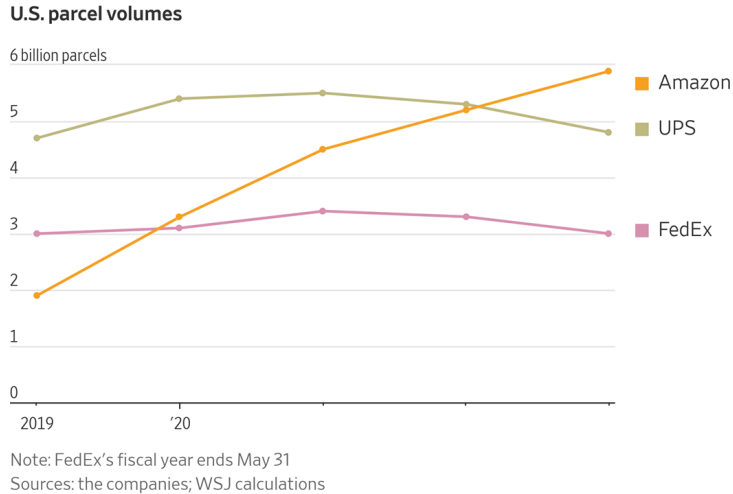
- Huawei, emblematic of China's technological aspirations, has shown remarkable resilience despite severe U.S. sanctions, particularly in its telecom-equipment business [WSJ]

Huawei's annual revenue

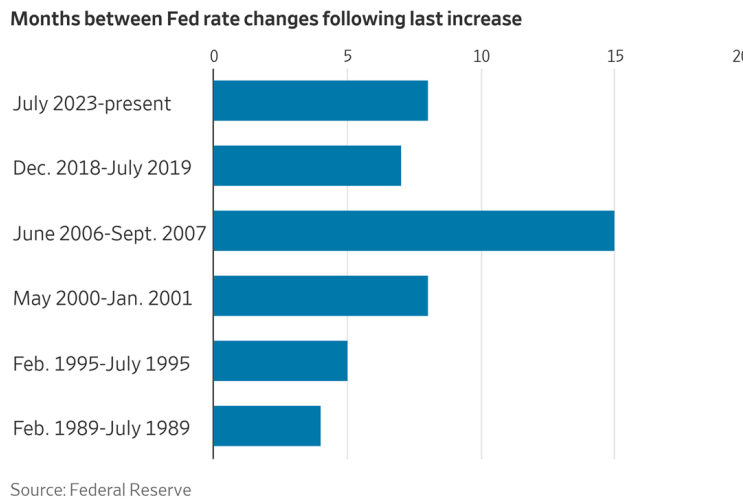


Note: Company's guidance for 2023; 1 billion yuan = \$139 million
Source: the company

- Following a high-profile split, FedEx and Amazon have explored potential collaborations, including discussions about FedEx accepting returns of Amazon packages at its retail locations [WSJ]

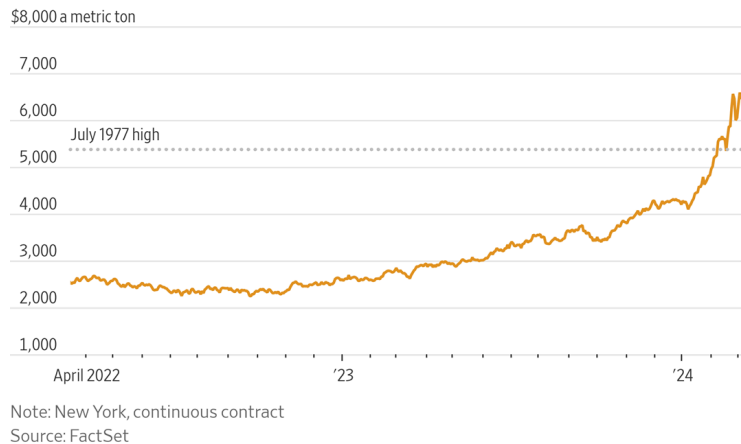


- The Federal Reserve's upcoming meeting is clouded by uncertainty over whether it will delay interest rate cuts due to recent high inflation readings or prioritize preventing a potential recession [WSJ]



- On Friday, benchmark cocoa futures surged to a record \$8,018 per metric ton, a 25% increase last week alone and 215% higher than last year; the price spike has caused large African cocoa processors—which take raw cocoa and turn it into something usable for chocolate companies—to slash production, since they can no longer afford to buy beans [TE]

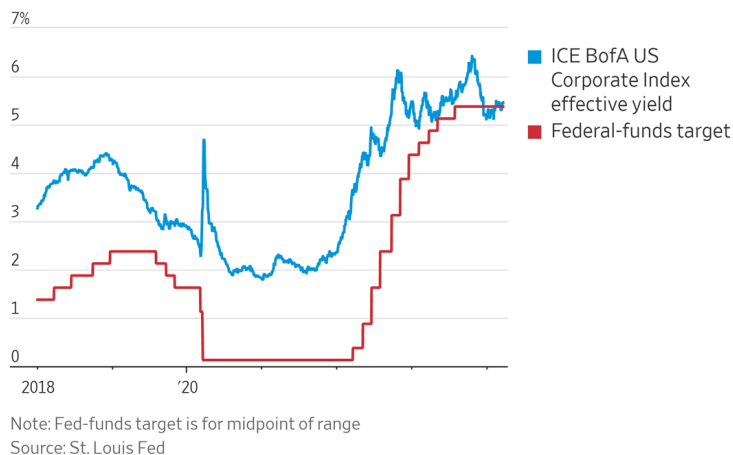
Cocoa futures price



A revised interest rate timeline eases financial pressure on small businesses and boosts the appeal of corporate bonds by widening their yield spread

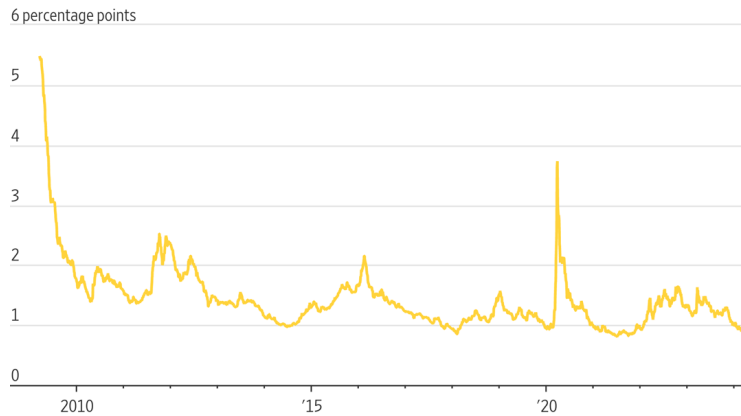
- The Federal Reserve aims to lower interest rates later this year, providing relief for many U.S. households and small businesses, while big companies and investors may not view Fed intervention as necessary [WSJ]

Rate paths



- Big U.S. corporations are borrowing at a rapid pace, with higher-rated companies issuing \$462 billion in debt through mid-March, reflecting a more optimistic economic outlook among corporate leaders [WSJ]

Extra yield to hold U.S. corporate investment-grade bonds over Treasurys



Source: FactSet, Bloomberg U.S. Corporate Investment Grade Index

- The defense sector in Europe has seen a significant rally in stock prices, fueled by increased military spending amid geopolitical tensions and U.S. isolationism [WSJ]

Share-price change*



*In euros

Source: FactSet

M&A activity continues to remain depressed, although developments within infrastructure, healthcare, and data science prove to be encouraging

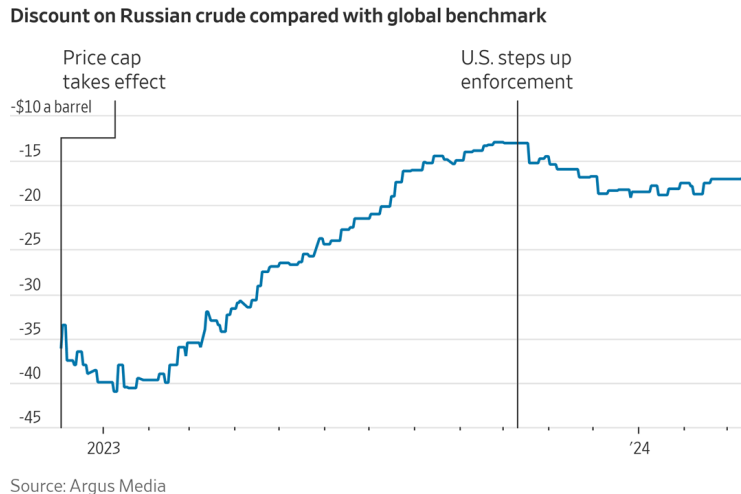
- Apollo Global Management offered to buy Paramount Global's film and TV studio for \$11B [WSJ]
- Privately held managed care company Heritage Provider Network revived plans for a potential sale for at least \$7B [BBC]

- Swiss pharma manufacturer Lonza Group agreed to buy a US manufacturing facility from biotech giant Roche for \$1.2B [BBG]
- An affiliate of PE firm HIG Capital agreed to acquire Alight's professional services and payroll outsourcing business for up to \$1.2B [RT]
- KKR and existing investor EIG will invest at least \$1B into US solar developer and the company's projects Avantus; KKR will become the majority owner [BBG]
- Gildan Activewear, the \$6.3B Canadian clothing manufacturer that owns American Apparel, is exploring potential bids from PE firms including Sycamore Partners [BBG]
- Macy's will open its books to Arkhouse and Brigade Capital in a breakthrough for the investment firms' \$6.6B bid to take Macy's private [RT]
- Nordstrom's founding family is seeking take-private deals for the \$3B US department store six years after a similar attempt failed [RT]
- Building products company Carlisle will acquire commercial roofing company MTL in a \$410M cash deal from PE firm GreyLion Partners [WSJ]
- Boeing is exploring the sale of at least two of its defense businesses [BBG]

Recent developments across four key industries highlight AI product development, IPO interest, and geopolitical concerns

Energy & Natural Resources

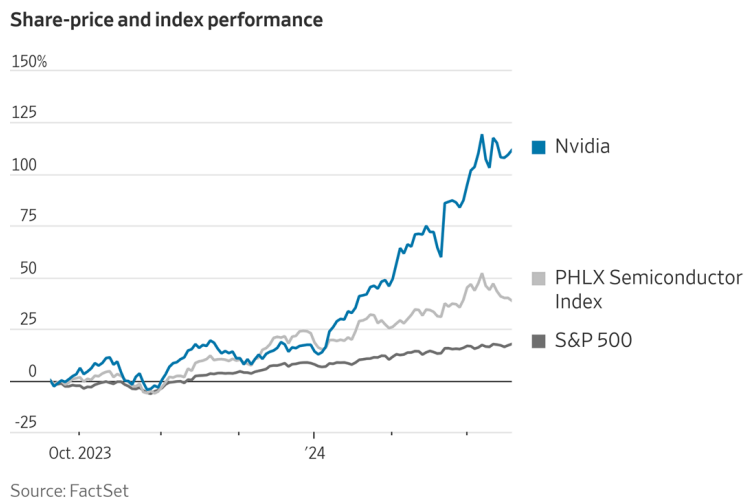
- U.S. crude oil inventories, excluding the Strategic Petroleum Reserve, decreased by 2 million barrels to 445 million barrels in the week ending March 15, slightly below analysts' expectations [WSJ]
- Efforts by the U.S. to close financial loopholes allowing Russia access to Western markets appear to be yielding results, with Dubai's state-owned bank, Emirates NBD, shutting down accounts held by Russian oligarchs and traders of Russian oil [WSJ]



- The U.S. Energy Information Administration (EIA) has revised its diesel price forecasts for 2024 and 2025 upwards in its latest short-term energy outlook (STEO), with expectations of U.S. on-highway diesel fuel averaging \$4.01 per gallon in 2024 and \$4.08 per gallon in 2025 [RZ]

Technology, Media, & Telecommunications

- Nvidia, now the world's third most valuable company, showcased its latest artificial intelligence systems during its annual developers conference, revealing the Blackwell B100 systems as the successor to its popular H100 systems [WSJ]



- As the AI market consolidates around major players like Microsoft and OpenAI, some companies are attempting to compete by offering their AI models for free through open-source initiatives [WSJ]

- OpenAI is rapidly developing AI software capable of generating convincing videos from text prompts, sparking concerns about disinformation and raising questions about the economic implications of artificial intelligence [BBC]

Healthcare & Life Sciences

- A 62-year-old man suffering from end-stage kidney disease underwent a groundbreaking transplant at Massachusetts General Hospital, receiving a genetically modified pig kidney from eGenesis, a Cambridge-based company [WSJ]
- Some Medicare Part D drug-benefit plans may cover the weight-loss drug Wegovy for members with a history of heart disease who use it to prevent recurring heart attacks and strokes, following the FDA's approval of its new use [WSJ]
- A new test, developed by CND Life Sciences, offers a promising avenue for earlier and more accurate diagnosis of Parkinson's, potentially paving the way for disease-modifying therapies in the future [WSJ]

Financial Services

- Reddit priced its initial public offering at \$34 per share, at the high end of its targeted range, indicating potential renewed investor interest in new issues [WSJ]
- Senator Elizabeth Warren has called on the Securities and Exchange Commission to investigate whether Tesla violated regulations regarding board independence and potential conflicts of interest with Elon Musk's other ventures [WSJ]
- JPMorgan is setting up a dedicated sports IB team as it seeks to tap an increasingly lucrative industry to offer advisory and financing solutions for activities like investing in franchises [RT]

Outside of standard macroeconomic updates and M&A developments, the DOJ's lawsuit against Apple and the arrival of March Madness have led news cycles

- The Department of Justice sued Apple, alleging that its iPhone ecosystem constitutes a monopoly that has harmed consumers, developers, and rival phone makers [CNBC]
- Vladimir Putin extends reign as Russia's president – three days of voting with no oversight at the polls or any meaningful opposition ended with Putin winning six more years as Russia's leader, a position he has held as prime minister or president since 1999 [CNBC]
- MrBeast, aka Jimmy Donaldson, just inked a deal with Amazon MGM Studios to host and executive produce *Beast Games* for Prime Video, the studio announced yesterday. Considering Donaldson hosted a real-life *Squid Game* contest in 2021 that got 588 million YouTube views, he's qualified for the job [HR]
- Japan hiked interest rates for the first time in 17 years – the Bank of Japan raised short-term rates to 0% as the country's economy finally shows some signs of growth after years of low inflation and wage stagnation [NYT]
- Unilever is freezing out its ice cream business; the owner of Ben & Jerry's announced yesterday that it's spinning off its ice cream division—which also includes Breyers, Klondike, Popsicle, and more—and slashing 7,500 jobs in an effort to cut costs and refocus the company around consumer products [RB]
- Intel got an \$8.5b government grant to build chip factories – it's the largest grant awarded so far under the CHIPS Act to spur US semiconductor production, and Intel plans to use it to build and expand facilities in Arizona, Ohio, New Mexico, and Oregon [CNN]
- Things are not all gucci at Gucci – Kering, the French luxury brand that owns Gucci, said it expects the brand's sales to fall 20% in the first quarter compared to last year because its products aren't moving as well as anticipated in Asia [BBC]
- Ireland's Prime Minister, Leo Varadkar, unexpectedly said he will step down, calling his reasons for resigning “personal and political, but mainly political” [CNN]

- The madness has arrived – the NCAA men’s and women’s college basketball tournament brackets were announced on Sunday, signaling the start of a countrywide dip in worker productivity for the next week [CBS]